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April 30, 1997

Honorable Reed E. Hundt
Chairman
Federal Communications Commission
1919 M Street, NW
Washington, DC 20554

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Federal Communications Commission
Office of Secretary

re: CC Docket Nos. 96-45/96-262, and 96-263

Dear Chairman Hundt:

In its Universal Service and Access Charge Reform proceedings, CC Docket Nos. 96-45 and 96-262, respectively, the FCC currently is considering whether to permit local exchange carriers (LECs) to assess new or increased charges on residential and business users, including enhanced service providers (ESPs) such as Internet service providers (ISPs). The Internet Access Coalition¹ is writing to express its views on these charges.

To date, FCC policy has been sensitive to the needs of American Internet consumers. For example, in its NPRM in CC Docket No. 96-262, the Commission tentatively decided not to allow LECs to impose carrier access charges on ESP/ISPs. The Coalition has supported this tentative conclusion because such carrier access charges would reduce the affordability of current consumer Internet access and impede the deployment of new, broadband consumer access technologies and services. As described in earlier filings, the Coalition believes the FCC should adopt this tentative decision in its final rule.

The Coalition is concerned, however, that other new charges imposed directly on consumers or through ESP/ISPs in a non-cost-causative or inequitable fashion would have

¹ Internet Access Coalition member associations include the American Electronics Association, the Business Software Alliance, the Consumer Electronics Manufacturers Association, the Information Technology Association of America, the Information Technology Industry Council, the Internet Service Providers and Users Association, the Software Publishers Association, and the Voice on the Net Coalition. Internet Access Coalition member companies include America Online Incorporated, Apple Computer, Inc., Compaq Computer Corporation, CompuServe Incorporated, Digital Equipment Corporation, EarthLink Network, Inc., Eastman Kodak Company, GE Information Services, IBM Corporation, Intel Corporation, Microsoft Corporation, Netscape Communications Corporation, Novell, Inc., Oracle Corporation, and Sun Microsystems, Inc.

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the same detrimental effects as the application of carrier access charges on ESP/ISPs. *In other words, the currently proposed new or increased charges could reduce the affordability of current consumer Internet access and impede the deployment of new, broadband consumer access technologies and services.*

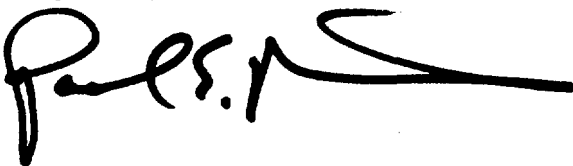
The Coalition believes the Commission should reach two principal goals in these proceedings: fundamental access reform and the enabling of local loop competition. On the first goal, the Coalition believes reform requires access pricing to be reduced to Total Service Long-Run Incremental Cost (TSLRIC). Under rate restructuring currently being considered, ESP/ISPs and consumers who access the Internet through these providers will be forced to pay a disproportionate share of access charges because they will not benefit from any reductions in existing interlata traffic charges. Worse, ILECs will obtain additional revenues from consumers – both directly and through ESP/ISPs – without introducing any new consumer access technologies or services. Finally, if the Commission fails to reduce ILEC pricing to TSLRIC, the United States surely will fail to convince other countries to reduce their rates in a similar fashion.

On the second principal goal, the Coalition believes that local loop competition is essential to maintaining the affordability of current consumer Internet access and facilitating the deployment of new, broadband consumer access technologies and services. The introduction of competition is hindered, however, if the ILECs receive revenues at rates above TSLRIC. These excessive revenues will frustrate the ability of new LECs and independent ESP/ISPs to compete effectively with ILECs and ILEC-owned ESP/ISPs, especially because some of these revenues will come directly from ILEC competitors.

Finally, decisions in the current proceedings should not predetermine the FCC's ongoing proceeding on PSTN Usage, CC Docket No. 96-263, which addresses such competition.

If you or your staff have any questions on this matter, please contact me at 202-626-4382.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Paul E. Misener", with a long horizontal stroke extending to the right.

Paul E. Misener
Steering Committee Chairman
Internet Access Coalition

cc Commissioner James H. Quello
 Commissioner Susan Ness
 Commissioner Rachelle B. Chong
 Regina M. Keeney